**TOP SECRET**

**WORKING PAPER**

INTELLIGENCE COMMUNITY STAFF

22 April 1977

NOTE FOR: Director, OPEI/ICS

FROM : Director, OPBD/ICS

Fritz:

Attached are a collection of papers which are the contributions by various IC Staffers in response to the questions outline the working group developed. I understand that this was wanted by cob today.

These papers were assembled to provide thoughts and serve as a stimulus to you before task 3 drafting began. As such, they are, and should be treated as think-pieces, not ICS or DCI position papers. Finally, they address many, but not all the questions raised in the outline.

I think they will provide sufficient fodder for the working group to begin chewing on ...

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**INFORMATION**

**TOP SECRET**

$I$A.   CFI

Question 1:  How and how well was the job of NFIP program
development, budget preparation and resource allocation
performed.

    The Community's programming and budgeting procedure is
based upon the Government-wide system.  To facilitate
program review and budget decisions, the programming and
budgeting cycle is closely tied to the Defense Department
procedures since nearly [          ] intelligence
resources are managed directly by Defense.  While exceptions
to the rule are permitted in certain instances for reasons
of intelligence security, the system for programming and
budgeting is virtually standard.

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    For several years prior to 1976, the method of program
review and decision-making involving the DCI was less com-
prehensive and less definitive than it is today.  To begin
with, the former Intelligence Resources Advisory Committee
(IRAC), chaired by the DCI, included not only Intelligence
Community principals, but OMB participation as well.  OMB
participation became an inhibiting factor in Committee
discussions of issues and problems which, if discussed
fully, might serve OMB challenges in the final budget trimming
process.  Apart from the IRAC, the DCI chaired an Executive
Committee (ExCom) which dealt separately with [          ]
[          ] programs.  ExCom meetings were
scheduled quarterly while IRAC convened on demand and at
major points in the programming and budgeting cycle.  Thus,
a central review and decision process for the total NFIP did
not occur until nearly the end of the cycle, when development
of an NFIP budget requirement for the President's approval
was nearly completed.

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    In reality, the DCI's role (except on the CIA program)
was largely one of aggregating the program managers' posi-
tions and budgetary requirements.  Responsibility and accounta-
bility for the NFIP rested as much, if not more, with program
managers than it did with the DCI.  The finalized NFIP was
presented and articulated by the DCI to the President.  It
included the DCI's rationale for the program, justifications
for program elements, issues of major concern to the Community,
and an explanation of how the program would serve to ameliorate
or solve intelligence problems and meet future challenge.

Throughout, the DCI exerted influence in a collegial program and budget decision process. His role in this regard stemmed from a Presidential Directive memorandum of November 1971 which encouraged the DCI to exercise greater leadership concerning the NFIP, but without clear authority over Intelligence Community resource decisions.

In 1976, E.O. 11905 reinforced the role of the DCI, but it still did not provide him with direct authority over resources other than those of CIA. His influence, however, was enhanced by an institutional reform which centered responsibility for intelligence resource control in the DCI-chaired CFI and, for the first time, directed the preparation (by the CFI) of a consolidated intelligence budget--in contrast to a DCI-recommended program budget. This step brought responsibility for resource decisions closer to the DCI but, as in the past, in a collegial setting.

This reform did, however, permit some significant accomplishments during that year. A sense of Community began to crystalize, due in large measure to the CFI's decision-making role (a role DoD accepted reluctantly). The programming and budgeting cycle was adjusted to facilitate more comprehensive reviews of the NFIP. The Intelligence Community Staff was strengthened to provide greater support to the DCI, the CFI, and the Community in coordinating program and budget reviews. The CFI convened more than twenty times in 10 months and reviewed the NFIP in its entirety--all program managers' recommendations--during the month of July. Programs were judged both on their individual merit and on their value to the total program. The CFI decided on thirty issues of significance of the Program. The fall budget review resulted in an overall budget trim by the CFI of more than [          ]

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A significant effort was made by the Committee to set the stage for cross-program tradeoffs to minimize resource duplication, functional redundancy, or to lower operational costs at minimum risk to intelligence priorities. One such example was the CFI decision to fund the imagery satellite mix at a level which would preserve options during the initial operational period of the new system. To offset a major part of that cost, the CFI decided against accelerated development and acquisition of a follow-on to an outmoded SIGINT system.

Finally, the CFI established new and more meaningful directives governing programming procedures--substance and format for Committee review, reprogramming guidelines, and at year end, the CFI provided program managers with more complete and specific guidance than in years past for development of five-year programs.

While the CFI moved with vigor in its first year, the Committee's focus centered for the most part on surface issues. An in-depth assessment of the base program did not occur. The "turf" of each program manager was largely preserved in the decision process. The budget for each NFIP constituent program increased for FY 1978--driven by both economic inflation and program initiatives. In a collegial decision process where direct authority and responsibility for intelligence resources are diffused, the difficult decisions--for example, to shrink or cut an entire program of diminishing value--are unlikely to occur. Such a decision, if surfaced, would undoubtedly be raised to a higher decision authority--the NSC and the President. Increased DCI authority for Community resource allocation would tend to stimulate a more effective decision-making process.

*IA*

Question 1a:   Problems encountered

The first year of program and budget development under
E.O. 11905 was made more difficult than necessary by the
need to establish procedures for the CFI and ICS review pro-
cess simultaneously with the actual program and budget
development.  Complex interrelationships of the Depart-
ment/Agencies, Program Managers, ICS, CFI, and OMB had to be
worked out.  Program Managers and Departmental Agencies
(especially Defense) were reluctant to accept the implica-
tions of E.O. 11905, especially as regards the decision-
making authority of the CFI with regard to their respective
programs.  These procedural battles, both time consuming and
divisive, generally aimed at reducing the CFI role to an
advisory one reserving actual decision-making authority to
heads of Departments/Agencies.  Only persistence and a
general reluctance to escalate the confrontation to the NSC
level (for fear of an undesired outcome) prevented the CFI
from being relegated to a mere advisory role.

Other problems of both procedure and substance, especially
developing procedures and methods for cross-program analysis
existed and continue.  However, these are chronic problems
which can only be resolved over time in a stable, definitive,
and broadly accepted management structure--a condition the
CFI never fully achieved.

Question 1b:   Strengths, Weaknesses (of the CFI)

The strengths of the CFI and the program and budget process which emerged were:

1.   The collegial character of the CFI made the DoD and NSC a party to the decision process with the DCI.  In a cooperative environment .this should make possible the incorporation of the views and interests of the principal sources of policy, requirements, and resources in the decision process.

2.   The Program Managers were present for all program and budget reviews.  They were afforded full opportunity to present their programs and budgets to the CFI (acting as a Board of Directors) and were required to defend their recommendations before the Board in the presence of their peers.  Program Manager interaction was a major, and somewhat unexpected, feature of these meetings.

3.   The ICS emerged as a functioning staff element of the CFI and began the process of providing a central focus for U.S. intelligence activities even to monitoring, for the first time, intelligence-related activities for unwarrented duplication and adequacy of information exchange.

The weaknesses of the CFI and the program and budget review process which emerged were:

1.   The collegial nature of the CFI, given the ambiguities of E.O. 11905, resulted in undue and disruptive discussion of procedures which were a mechanism for ensuring that the CFI would evolve as a recommending body only.  Though these efforts were not successful, they did prevent the CFI from focusing its full attention on the more substantive program and budget issues and made more difficult an in-depth addressal of cross-program issues.

2.   The ICS was growing and reorganizing at the same time it was adapting to a new role, which was itself ill-defined and buffeted by the procedural controversies surrounding the CFI itself.

*IA*

Question 1c:   IC Staff role

The IC Staff role was that of the Staff of the CFI.
Given the difficulties, it performed that role well.   In
spite of repeated efforts to isolate it from Program Managers,
the IC Staff became the central focal point for all program
and budget issues to be considered by the CFI or to be
debated by the CFI with OMB and the President.   It marshalled
the facts, analyzed them, and developed recommendations
which were presented to the CFI by the D/DCI/IC.   It took
follow-up action to implement CFI decisions, developed
program and resource guidance for development of the FY 79
program and budget, and undertook to do or have done studies
needed for future resource decisions of the CFI.

*JA*

Question 1d:  DoD relationship

Throughout the FY 78 review process, the DoD role can best be described as obstructionist.  It sought, through procedural debate, to prevent CFI from developing as a decision-making body which would infringe on the unilateral decision-making powers of the Secretary of Defense.  By issuing instructions not to respond to IC Staff correspondence or queries without DepSecDef approval, by selectively disseminating or delaying CFI and ICS documents, and by delaying or ignoring submission of inputs and studies, DoD attempted to hold the CFI in check in order to preserve the traditional (in their view) role of DoD in resource allocation. Once beyond the initial period of organization and only at the meeting table, did the CFI function reasonably smooth-- the normal give and take over issues took place in a reasonably constructive atmosphere.  Between meetings and particularly when attempting to implement CFI decisions is where the obstructionist strategy was employed in full force.

Question 1e:  Cross-program trade-offs?

    As previously described, the unnecessarily traumatic growing pains of the CFI program and budget review process precluded extended cross-program analysis and trade-offs. However, it must also be recognized that neither the procedures nor methods for cross-program trade-offs exist anywhere so that each effort in this direction is plowing new ground.  Some limited work has been accomplished such as within overhead imaging systems, but a lot more needs to be done if we are to evaluate trade-offs between dissimilar systems such as SIGINT and HUMINT.

*IA*

Question 1f:  "Real" impact on resource allocation decisions.

What is a "real" impact?  Over [                    ] was cut                    25X1A
from the budget submissions of the program managers.  Is
that "real"?  Specifically, the decision was made to delay
funding for a [              ] Follow-on.  NFIP funding was denied
for [                    ] on technical grounds and questions of its
national utility.  Conversely CFI chose to put more money
into [                                        ] technology based on
the recommendations of the Intelligence R&D Council.

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One "real impact" that is never assessed is the impact
of IC Staff involvement with program manager staff's in
examining issues that never surface to higher levels, in
debating and sharpening alternatives, in merely keeping the
process "honest."  While there is no way to estimate how
much the program submissions were reduced as a result of
staff activity, some feel for the impact can be derived from
knowing that several hundred issues were addressed by IC
Staff program monitors.

IA

Question 1g:    Issue identification process.

Issues arose basically from four sources:   ICS pre-
liminary reviews, at the request of a member of the CFI, by
expectation of OMB or Congressional interest, or by a program
manager.  Once identified, issues were then refined and
sharpened by various levels of staff debate and the process
of creating issues papers for consideration.

IA

Question 1h:   Upon what requirements were resources allocated?

Resources arc allocated against requirements set forth
in Perspectives, DCID 1/2, program and resource guidance,
and the requirements statements of NFIB and the DCI committees.

IA

Question 1i:   To what extent did the principals play?

The CFI met twenty times in ten months including nine days of program review and decision meetings in July and two days of budget review and decision meetings in November. The principals participated fully and actively debated all issues.

Question A2:   Did the CFI "establish policy for the management"
of the NFIP or did it largely buy off on existing management?

The current structure of the NFIP dictates that the
elements of the NFIP, other than CIA, must operate in two
management arenas, the CFI (PRC) and the Department/Agency
of which it is a part.  It is, therefore, necessary for the
CFI (PRC) to tailor its management process to the extant
mechanisms of the Departments/Agencies to insure compatibility
with their management information systems, financial accounting
systems and the schedule and format of their budget submissions.
Within these limitations, and constrained by the procedural
growing pains already described, the CFI established policy
by issuance of CFI Directives concerning (1) program and
review process; (2) the Intelligence Research and Development
Council; (3) CFI administrative arrangements, and (4) Congressional
relations, budget appeals and reprogramming procedures.  In
addition, the CFI established policy for the management of
the NFIP through its decisions, study directives, and the
issuance of program and resource guidance.

The fact that the CFI did issue "policy for the management"
of the NFIP is proof that it can.  Its problems are those
relating to establishment of the CFI as a decision-making body
and the need to interface with the management systems of the
Departments/Agencies of which the components of the NFIP
are a part.  These do place limits on what the CFI can do
but do not preclude effective direction of the management of
the programs.  This is clearly a CFI function and the IC Staff
as the CFI staff is the logical focal point for development
of policy and management alternatives for the CFI (PRC) to
consider.

Question A4:   National/Tactical

The question of national versus tactical intelligence
remains clouded in semantic confusion.. Many address the
problem in terms of the ultimate users of intelligence
information--usually throwing in a category of Departmental
to confound the issue.  Unfortunately, most items of intelli-
gence usually serve many masters in some way--policy-makers,
force structure analysts, weapons systems analysts, and .
tactical commanders in the field.

More pertinent however to discussion of management
relationships is the distinction which derives from who
should best justify the existence of such a capability and
the budget to sustain it.  The national intelligence entity,
whatever its form, should not and probably would not,
justify and support tactical reconnaissance units for national
purposes, even though some of their intelligence take may
contribute to the national effort.  Therefore, a category can
be designated tactical including, for example, all tactical
intelligence units assigned to and an integral part of the
field Army, Fleets, and numbered Air
Forces.  All others should be included in the NFIP because
their existence in some way is justified by their contribution
to the national effort.  The category often referred to as
Departmental is really an artificial one in that the activities
involved, whether foreign policy analysis in State, or weapon
systems, or force structure analysis in Defense, are only sub-
sets of the overall National Security Policy that national
intelligence supports. The close proximity of the Departments
to what we consider the National area (i.e., SecDef, a Depart-
ment head, is by virtue of his post, a member of the NSC)
argues against making a distinction between Departmental and
National.  It may have been a useful panacea to get a law
passed in 1947, but it no longer serves a useful purpose in
today's world of acknowledged departmental interdependency.

Hence, there can be a clear distinction and the interfaces
and 'analysis of overlap and unwarranted duplication could be
facilitated.

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Question *I*C.1.a.-c.:

See discussion in *I*A1 above.

QUESTION: (I C-2) How does ICS perform on "Collection and Production?"

b. Development of requirements for and assessment of national intelligence collection and production.

COMMENT: In the absence of a national requirements system for human resources collection, past ICS activity in this area has been limited. The Community recognizes that a need for a requirements system for human resources collection is necessary. A national system is provided for in the recently completed National Foreign Intelligence Plan for Human Resources. This system is now under development and will be supported by the Director of Central Intelligence Human Resources Committee and the Human Resources Division of the Intelligence Community Staff.

The assessment of national human resource collection is accomplished by the Human Resources Committee FOCUS Review Programs. The program has been in existence for two years and places emphasis on the evaluation of reporting from U.S. diplomatic missions around the world. The FOCUS program is being strengthened in a number of ways. The HRD envisages a significant increase in this assessment activity.

The Human Resources Committee and HRD are not directly involved in requirements for and assessment of national intelligence production.

QUESTION:   (I C-2)  How does ICS perform on "Collection and Production?"

c.   Provision of staff support for collection committees

of National Foreign Intelligence Board.

COMMENT:    The Human Resources Division is actively committed to

support of the DCI Human Resources Committee.  The Division

Chief is the Chairman of the Committee and his Deputy is

Vice Chairman.  All professionals have important specific

responsibilities for the direction and management of the

six subcommittees and advisory groups of the HRC.  Much

of the work of the secretarial personnel of the HRD is in

direct support of the committee and its subelements.

Question I.C.2.b. -- Development of Requirements for and Assessment of
National Intelligence Collection and Production.


    1.    The development of requirements for imagery collection is
an effectively coordinated and continuous Community cycle.

    2.    The organization of the present imagery requirements manage-
ment process, through the DCI Committee mechanism, is designed to provide
a management structure for imagery collection and exploitation which is
centralized under the DCI; provides single point coordinated tasking for
collection, processing, and exploitation; involves full formal Community
participation; maintains a central audit trail and documentation for require-
ments actions; utilizes dedicated on-line computer support to Community
elements; and above all, provides a requirements management mechanism
which is independent.

    3.    Standing national requirements are developed in consonance
with established DCI priorities. Requirements are constantly updated and
modified by the entire Community through the DCI Committee mechanism.
Ad hoc or special requirements are added as new situations arise. The
computerization of the entire requirements management process has improved
the inherently complex process of guidance, collection, and assessing
collection accomplishments. Planned refinements of management systems
will enhance this capability, and make assessments even more timely.

I.C.2.b.  *How does the ICS perform on development of requirements for*

*and assessment of national intelligence collection and production?*

Historically, DCI substantive and resource management

guidance documents provided to the Community by the ICS for

current operations and for planning and programming were not

issued at such times as to maximize their utility, they did

not address current-, mid-, and long-range guidance adequately,

nor were they related to one another in a total systems context.

Efforts to refine and improve Community planning have

culminated in the recent development of a more cohesive and

comprehensive National Foreign Intelligence Community Guidance

and Planning System.  Included is a proposal to establish a

DCI Committee to participate in the development, operation

and maintenance of the system.  The three major elements of the

system, which focus on the current-, mid-, and long-range

periods, are:

   • components of the current element include a

  substantive overview, a priorities and requirements

  framework, lists of requirements, Key Intelligence

  Questions and Goals and Objectives;

   • components of the mid-range element include

  Perspectives for Planning and Programming, an

  intelligence strategy and a projection of changes

  in priorities over the next five years; and

- the long-range element will be a study
which projects the world environment and identifies
related intelligence implications· out to a 20-
year horizon.

The refined Community Planning System should be a more
effective mechanism for the DCI in exercising his responsi-
bility for the coordination and direction of Intelligence
Community activities.  It will outline the scope and dimensions
of the nation's substantive intelligence needs, both topically
and geographically.  The system of documents will set the
stage, from the DCI's perspective, for current and future
intelligence operations and for program development.

The IC Staff also has the responsibility for continually
assessing--in consultation with the NSC Staff--the requirements
of major users of intelligence products, and the timeliness
and quality of intelligence reporting.

Other mechanisms are available to the DCI with which to
evaluate Community performance in the area of intelligence
collection.  For example, since late 1974, the DCI's Human
Resources Committee has conducted the FOCUS Review Program--
an interagency program to review reporting by human resources
of the Community and of other US departments and agencies
affiliated with US Missions abroad.  The program is carried
out on a continuing basis with the full participation of the
Department of State.  Similarly, evaluations of imagery·
satellite and SIGINT systems' performance are regularly con-
ducted by the responsible DCI Committee and ICS offices.

Apart from these continuous evaluative activities, the
IC Staff conducts ad hoc post-mortems of the Community's
performance in international crises; and the DCI reports
annually on the state of the Community and Perspectives on
the future.

These mechanisms perform unquestionably vital functions
in an area where, regrettably, too few objective yardsticks
to evaluate performance yet exist.  The problem thus remains
one of addressing such long-standing systemic problems of
intelligence as:

> --determining better what users really need;

> --developing (1) data bases to relate Community
> funds and manpower to intelligence products; (2)
> better measures of the utility of specific intelli-
> gence products; and (3) analyses which explicitly
> relate collection, processing, and production
> resources to intelligence products and user needs;
> and

> --establishing the proper balance of the
> Community's production effort among data bases,
> current intelligence, and analysis.

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Question I.C.2.c. -- Provision of Staff Support for Collection Committees
of NFIB (sic!)


The ICS, through its Imagery Division, provides experienced and
effective support through a jointly-manned full-time staff supporting each
of the major functions of the COMIREX: standing and mission-directed
collection and exploitation requirements and guidance; Community-wide
requirements ADP support; operational 24-hour tasking of advanced systems.

Question C4a:  Guidance to CFI on national/tactical intelli-
gence relationship

     Guidance on this question has been vague and contra-
dictory.  E.O. 11905 specifically excludes tactical intelli-
gence from CFI purview, but charges the CFI with providing
"guidance on the relationship between tactical and national
intelligence."  Tactical intelligence is not defined.

     The Congress, on the other hand, has increasingly
prodded the DCI to get into non-NFIP intelligence matters.
In the FY 77 Conference Report, the DCI was directed to
review Intelligence-Related Activities (not clearly defined
by Congress but implying the inclusion of tactical assets)
for unwarranted duplication and for exchange of information.

     Clarification of definitions and responsibilities would
greatly facilitate future management of both national and
tactical intelligence resources.

I.D.2. *How well do NIOs work in their extended roles in: liaison with producers and consumers, interface with the IC Staff, collection assessments and requirements?*

Recognizing the same variety in individual success, the NIOs also perform well their responsibilities for user/producer liaison, and development of collection/production requirements. Because the NIOs require interagency input to their major estimative papers, the relationship between them and the producers is a close one. However, because interagency products, particularly the more complex and significant NIEs, are high-cost items in terms of manpower and time, tensions can arise between the managers of line production elements and the NIOs over their needs for substantive support. The NIOs continually strive to minimize the disruption to line organizations, with some but not total success. For the same reasons of cost, manpower, and time, the NIOs must insure that the final products are responsive to the critical needs of major consumers. The increased liaison with these users--who are diverse in their responsibility--has helped to make the process more efficient. The relationship between the NIOs and IC Staff is also a close one because of the intertwining responsibilities of the IC Staff to promulgate the KIQs, the NIOs to develop collection and production strategies, and the IC Staff to evaluate the Community's performance in

I.D.1. *How well do NIOs work in their production roles on NIEs, Inter-agency Memoranda, alert functions?*

The NIO concept, when vigorously adhered to by individual NIOs, provides an appropriate, valuable, and effective service in the intelligence processes of production, collection, and user/producer interface. Overall, the NIOs perform these functions well; however, there is unevenness. Some NIOs by virtue of their personalities, aggressiveness or areas of responsibility are more active and successful than others. The performance of the NIOs in supervising the production of NIEs, NIAMS, Interagency Memoranda and studies, and Alert Memoranda is generally improving. A major complaint about many of these products--particularly NIEs--has been that the estimates were not as relevant to consumers' needs as they could be, i.e., they did not address the important issues before national-level policymakers. The recent emphasis on involving the major users of estimative intelligence during the conceptual phase of organizing the estimate has met with success. The satisfaction of users with the estimative process and products has been higher with this increased interchange of views.

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answering these and other important questions.  This relation-
ship works well.  The performance of the NIOs in developing
substantive collection requirements is generally good, and
the IC Staff has had no problems in getting input from the
NIOs on assessments of various collection and production
activities.

I.D.3. *How well do NIOs work: net judgments*

Considering the requirements for issue-oriented national
intelligence and the resultant need for increased information
exchange between users and producers, the NIO concept is an
appropriate and effective one. Because the size of the NIO
Staff is very limited, however, it is difficult for any NIO
to give full and proper attention to the various responsibilities
of production supervision, user/producer liaison, IC Staff
interface, and product evaluation. Consideration should be
given to augmenting the NIO Staff so that: (1) more inter-
agency product drafting can be done by the NIOs, thus reducing
disruption to line organizations, (2) more time can be spent
by the NIOs themselves in interfacing with consumers and
producers, and (3) more time and thought can be given to the
evaluation of various Community collection and production
efforts. In addition, consideration should be given to
creating a mechanism for a collegial review of major estimative
products. A reviewing authority, composed of experienced
specialists and generalists from both inside and outside of
the Intelligence Community, would help insure that estimates
are high quality products which focus upon the critical
intelligence issues facing the national-level user.

I. E.  NSC

   a. *Did the NSC provide guidance and direction of national*
*intelligence activities?*

   The DCI and the Intelligence Community have provided
substantial intelligence support in the preparation of
Presidential Review Memoranda for submission to the PRC,
generally using the NIOs as the interface between the Community
and the PRM study groups.  This provides the Community with
a focus on policy-relevant issues and with the opportunity
to make inputs to policy issues which are directly relevant
to NSC and Presidential interests.  On most PRMs, however, the
amount of intelligence support is controlled by the study
chairman, since most of the PRMs issued to date have not
directly tasked the Intelligence Community.  Exceptions are
PRM/NSC-2 (SALT), PRM/NSC-6 (MBFR Talks), PRM/NSC-10 (Military
Force Posture), PRM/NSC-11 (Intelligence Structure and Mission),
and PRM/NSC-16 (Nuclear Testing), in which intelligence elements
were assigned specific tasks.  In PRM/NSC-10, for example, the
Intelligence Community is developing a new assessment of US
and Soviet intelligence capabilities.

   The PRC has also assumed the budget preparation and
resource allocation functions given by E.O. 11905 to the former
Committee on Foreign Intelligence.  When meeting on intelli-
gence matters, the PRC is chaired by the DCI and includes the
Deputy Secretary of Defense, the Deputy Assistant to the

President for National Security Affairs, and a senior repre-
sentative of the Secretary of State; it then becomes the
Policy Review Committee for Intelligence, or PRC(I).  The
Intelligence Community Staff acts as the PRC staff in these
instances.

The PRC(I) provides a vital focal point for both program
and budget activity throughout the annual fiscal cycle.  It
provides a mechanism for the DCI to deal directly with
Community program managers without interfering with operational
or command relationships.  It also provides an additional
element of control over Intelligence Community activities at
the NSC level.  Decisions of the Committee may be reviewed by
the full NSC upon appeal by the DCI or any member of the NSC.
Lacking this forum, the DCI would be relegated to the pre-
E.O. 11905 situation, where he would be limited to bringing
influence (but no authority) to bear on resource decisions
which were essentially up to others to make.

The PRC(I) has also allowed for a more straightforward
Community relationship with OMB.  OMB, like most resource-
managers, tends to conduct its activities along organizational
lines, dealing with budget entities.  The Intelligence Community
is not a budget entity in any formal sense.  It is a functional
activity made up of several budget sub-entities.  The OMB, as
the President's executive agent for preparing the budget, needs
to be able to deal with a single organizational element if it

is to treat a function explicitly in the budget. The PRC(I) is filling that need. At the same time, it defines the DCI's role and responsibilities without having to adjust, in any formal way, the authority structure of those organizations that are hosts to national intelligence programs and activities.

The NSC Special Coordination Committee (SCC) deals with specific cross-cutting issues requiring coordination in the development of options and the implementation of Presidential decisions. The SCC is also tasked with oversight of sensitive intelligence activities, such as covert operations, which are undertaken on Presidential authority. In addition, it periodically reviews on-going sensitive collection programs, and approves specific sensitive operations resulting from previously approved programs. As indicated earlier, the DCI is spokesman for the Intelligence Community on the benefits to be derived from such programs, but the other members are the principal spokesmen on political and operational risks.

b. *Did the NSC conduct substantive semi-annual reviews of policies?*

Executive Order 11905 directs the NSC to conduct a semi-annual review of intelligence policies, on-going sensitive intelligence activities, the needs of users of intelligence, and the timeliness and quality of intelligence products. The PRC(I), SCC, and IC Staff are to provide written reports on their activities for each semi-annual review. Only one NSC review has been conducted to date, in December 1976. The IC

Staff published an extensive analysis of Community strengths and weaknesses to support a December 1976 meeting for the NSC. The meeting ranged over many intelligence matters, but resulted in guidance on only a few specific issues.

    c.  *Net Judgment*

The exact role of the NSC in the review of intelligence policy and performance is yet to be spelled out.

QUESTION 1F:   OMB

The OMB/CFI relationship which emerged in fact was
quite satisfactory, but achieved only after considerable
interaction, trial and error, and some heartburn on both
sides.

OMB complained of not being involved in program reviews.
Since program development and review is considered an internal
management technique, their inclusion was not deemed appro-
priate.  But, full information on programs was offered after
the CFI review was completed.  This offer was exploited to
varying degrees by various OMB budget analysts.  They were
offered, and where accepted, they received all information
available to the IC Staff and the answers to all questions
for which answers could be found.  Some information requests
were caught in DoD defense mechanisms and not honored.

OMB participated fully in joint ICS/DoD/OMB budget
hearings for all programs.  [                    ] had difficulty         25X1A
adjusting to the new management mechanism (CFI vice ExCom)
and were charged by OMB with refusing to provide information
necessary for OMB review.  This became an OMB issue and
required Presidential resolution.  Hopefully, this and other
lessons of the past year will permit a better OMB/IC relation-
ship following the precedents established in the FY 78
review cycle.

QUESTION:    (II A.2.) Where should Clandestine Service function (clandes-

tine collection and covert action) be housed in the bureaucracy?

    a.   Department of State

    b.   DOD

    c.   Separate entity

    d.   Remain within CIA

COMMENT:    The CS should be a separate entity under the DCI.  The CS

should not be organizationally "housed" in CIA.  It should be

directly responsive to the National Security Council through

the DCI with maximum flexibility to respond to important

national objectives.

The proper role of the CS is to conduct espionage, counter-

intelligence and covert action which other departments and

agencies are not able to conduct.  The CS should be directed

toward the high priority strategic intelligence objectives.

The CS has largely become a current intelligence collector and

reporter (political, economic, narcotics, etc.) on a broad

range of target areas of secondary priority.  The result has

been impaired CS strategic effectiveness, erosion of cover,

and compromising exposures.  Such erosion and exposure occur

primarily through non-communist and third world "host country"

operations (collection and covert action) of secondary priority.

The CS is conducting collection activity which in many cases

could be carried out overtly by the Foreign Service or others;

in other cases the target priority does not warrant clandestine
collection.

The proposed separation of the CS from CIA would include
giving the CS its own administration and support capability.
This would help eliminate the debilitating personnel cover
and security erosion that occurs through the regular transfer
of support personnel into and out of the CS from the overt com-
ponents of CIA.  Separation of the espionage function from CIA
as an organization might in turn make cooperation between overt
collectors and the national analytical and production offices
more palatable and effective.

The CS collection and covert action missions would be
redefined to concentrate the bulk of the effort against hard,
strategic targets such as the USSR, China, and Cuba, and only
selected high priority non-communist country targets, including
programs for strategic wartime or crisis contingency operations.

While concentrating the CS on the more limited but vital
targets, CIA (Directorate of Intelligence) would strengthen its
collection guidance and support apparatus to improve the
information-gathering activities of the Foreign Service and
related overt collection and reporting assets of the government.
This support might include detailing personnel to the Foreign
Service to aid in stimulation and management of overt collection
and reporting activities at overseas missions.

2

SECRET

This proposal would enable the CS to rehabilitate itself
as a true clandestine service, which it no longer is, and
place the main responsibility for overt and semi-overt col-
lection of foreign information where it belongs, with strong
support from and closer linkage to the national analytical
and production elements in CIA.

3

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Question II.A.4. -- Where should other Collection Elements of CIA be
                   Housed, e.g. . . .NPIC?


        NPIC is not a collection organization but a national imagery processing
and reporting unit. It is staffed jointly by CIA-DoD, and should retain this
joint staffing and a certain degree of antonomy. The organization could
remain in a CIA directorate or be attached directly under the DCI, so long
as its national identity remains.

QUESTION B1a:  What are his (SecDef's) "national" intelli-
gence responsibilities.

Conceptually it is easier to start by defining his non-
national, i.e., tactical intelligence responsibilities.
These include the management and direction of intelligence
activities of the deployed forces of the United States.  He
"raises," "trains," and "maintains" such forces, through the
Military Departments, and justifies their budgets on the
basis of the wartime needs of the forces.  He directs such
forces in wartime through the JCS and the Unified and Specified
Commands.  He works with the DCI to ensure that there is no
unwarranted duplication between national and tactical assets
and a free flow of information derived from such systems to
all potential users.

All other intelligence responsibilities of the SecDef
are viewed as national in that they contribute to one element
or another of the National Security Policy process.  Hence
such "departmental" responsibilities as force planning and
weapons systems analysis are sub-sets of the national effort.
His intelligence responsibilities are those of any other,
element of the Intelligence Community, i.e., to manage
national intelligence assets within DoD in accordance with
the management structure created for the Intelligence Community
whether that be a CFI (PRC) collegial mechanism or a more
centralized DCI directed mechanism.